Labour shortage everyone's problem, industry coalition warns

Having a hard time finding workers? Join the club.

The oil and gas industry has been warning of a growing labour shortage since the economy first began crawling out of recession back in 2010. Now other industries are adding their voices to the chorus, in the hopes of spurring government action.

"It's not just an oil and gas industry problem," says Elizabeth Aquin, senior vice-president of the Petroleum Services Association of Canada (PSAC). "It mushrooms out into needing more services, whether that's health care, more retail to support growth [or] more infrastructure."

PSAC is one of a number of oil and gas associations involved in the Alberta Coalition for Action on Labour Shortages, an initiative uniting 19 groups from across all of Alberta's key economic sectors that was first announced in March.

The coalition is hoping to pressure the federal and provincial governments to address a growing labour shortage across the entire economy. It offers a number of recommendations, such as changing the Temporary Foreign Worker program to ease the transition from temporary to permanent immigrant status, as well as other reforms to the immigration system to better address employer needs.

With the Alberta government predicting a shortfall of 114,000 workers across all sectors by 2021, the coalition is urging immediate action. But for service and supply companies, the tight labour market isn't coming—it's already here.

"There's definitely a labour shortage all around," she says. "Our members have been experiencing it for quite some time. They are turning down work in many cases because they can't crew the equipment."

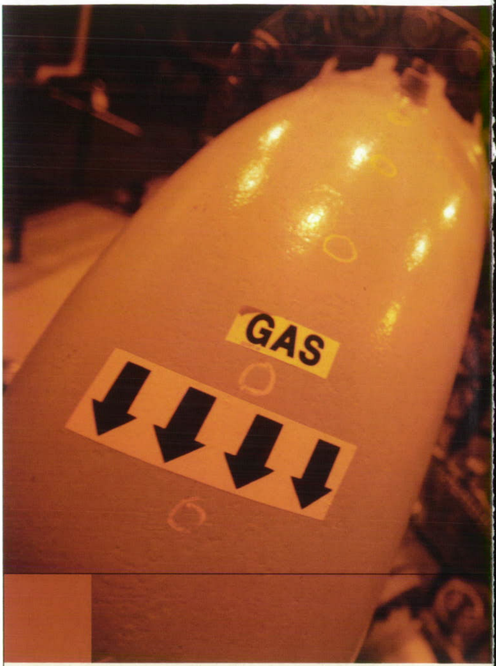
According to Aquin, the service and supply industry is already looking for thousands of workers, particularly operators, supervisors, heavy-duty mechanics and equipment operators, and truck drivers. While the preference remains for domestic workers, the industry must grapple with the fact that much of the work it offers—often involving long hours and remote locations—can be something of a hard sell.

"Many of our members have tried to recruit in the east," she says. "We cannot convince people to come out here."

The shortage of workers is already driving business away from the province, Aquin believes. As one example, she cites a PSAC member company that was forced to open a manufacturing facility in the United States because it could not find enough workers north of the border.

Aquin laments the loss of that business for Canada, but she also points out that most service and supply companies don't have the luxury of chasing the workforce.

"If you're in just the service sector, you have to be where the resource is being drilled and completed," she says. "That is constraining activity, because if you don't have the people to crew the equipment, then less work gets done."



How to survive $1 natural gas

Slashed budgets, shuttered production, and predictions of doom and gloom on the tip of every analyst's tongue.

Welcome to the Canadian natural gas industry, where everyone is preparing to enter survival mode following a brutal winter that saw prices hit a new 10-year low, dipping below $2 per gigajoule.

Well, almost everyone. Consider the case of Peyto Exploration & Development Corporation.

While many rival natural gas producers are bracing for a tough 2012—Canadian Natural Resources Limited, for example, is shutting in 10 million cubic feet per day of production and scaling back gas spending by $170 million—Peyto isn't letting low prices disturb its spending and production plans for the year.

The company has a capital program of $400 million to $450 million slated for 2012, with most activity scheduled for later in the year to take advantage of lower service costs because of reduced gas drilling. So why is it so confident in the midst of plummeting prices and dismal forecasts?

It turns out Peyto has done some forecasting of its own. The company recently completed an exercise where it tested the profitability of its wells if the worst comes to pass and gas prices hit $1 per gigajoule, while oil prices remain at $100 per barrel.